

SIXTY-NINTH ANNUAL REPORT 1974

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THE MONARCH LIFE ASSURANCE COMPANY



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THE MONARCH LIFE ASSURANCE COMPANY

SIXTY·NINTH ANNUAL REPORT 1974

HIGHLIGHTS

	1974	1973
Sales Amount of Life Insurance	257,562,000	218,408,000
Premiums on Annuities	8,246,000	6,308,000
Business in Force	1,437,293,000	1,252,247,000
Net Interest Rate	7.58%	7.30%
Assets	232,777,000	208,612,000

400

life insurance sales

300

200

100



Report of Directors

To the Sixty-Ninth Annual Meeting of The Monarch Life Assurance Company to be held at the Head Office of the Company, in Winnipeg, on February 18th, 1975.

SALES

The amount of life insurance sold in 1974 was \$257,562,000 which is an 18% increase over 1973. Sales of individual policies amounted to \$243,631,000 and group policies \$13,931,000. Premiums on annuity sales in 1974 were \$8,246,000, an increase of 31% over 1973.

The sales development program established in 1971 has had very satisfactory results. In four years, sales of life insurance have more than tripled, the number of sales offices has in-

creased 68% to 32 offices and the number of full-time sales representatives has increased 65%. While all areas of the Company's operation have shown significant growth, it has been in the major urban centres where the greatest sales development has occurred.

The Company's total business in force at year end was \$1,437,293,000 compared with \$1,252,247,000 at the end of 1973.

ASSETS

At year end, assets were \$232,777,000, an increase of \$24,165,000 or 11.6% for the year. This compares with an increase of 10.3% in 1973.

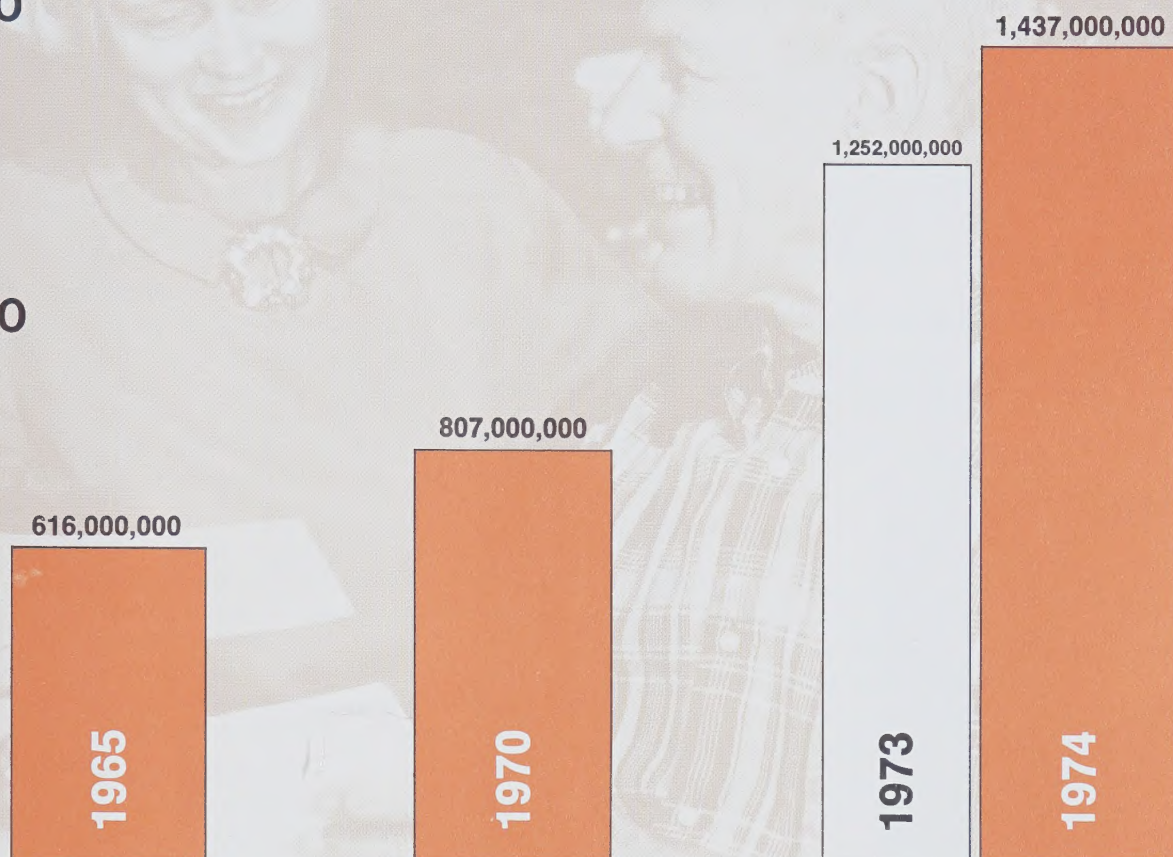
2000

business in force

1500

1000

500



The net rate of interest earned on our entire portfolio, after deduction of investment expenses, rose to 7.58% from 7.30%.

Bonds and first mortgages are shown on our books at amortized cost. Stocks, as explained in note 1 to the Financial Statements, are shown for 1974 at their original cost. In the aggregate, year end book values of our bond and stock investments exceeded values authorized by the Superintendent of Insurance for Canada by \$3,668,000. Our Investment and Contingency Reserve of \$7,000,000 is primarily intended for this situation.

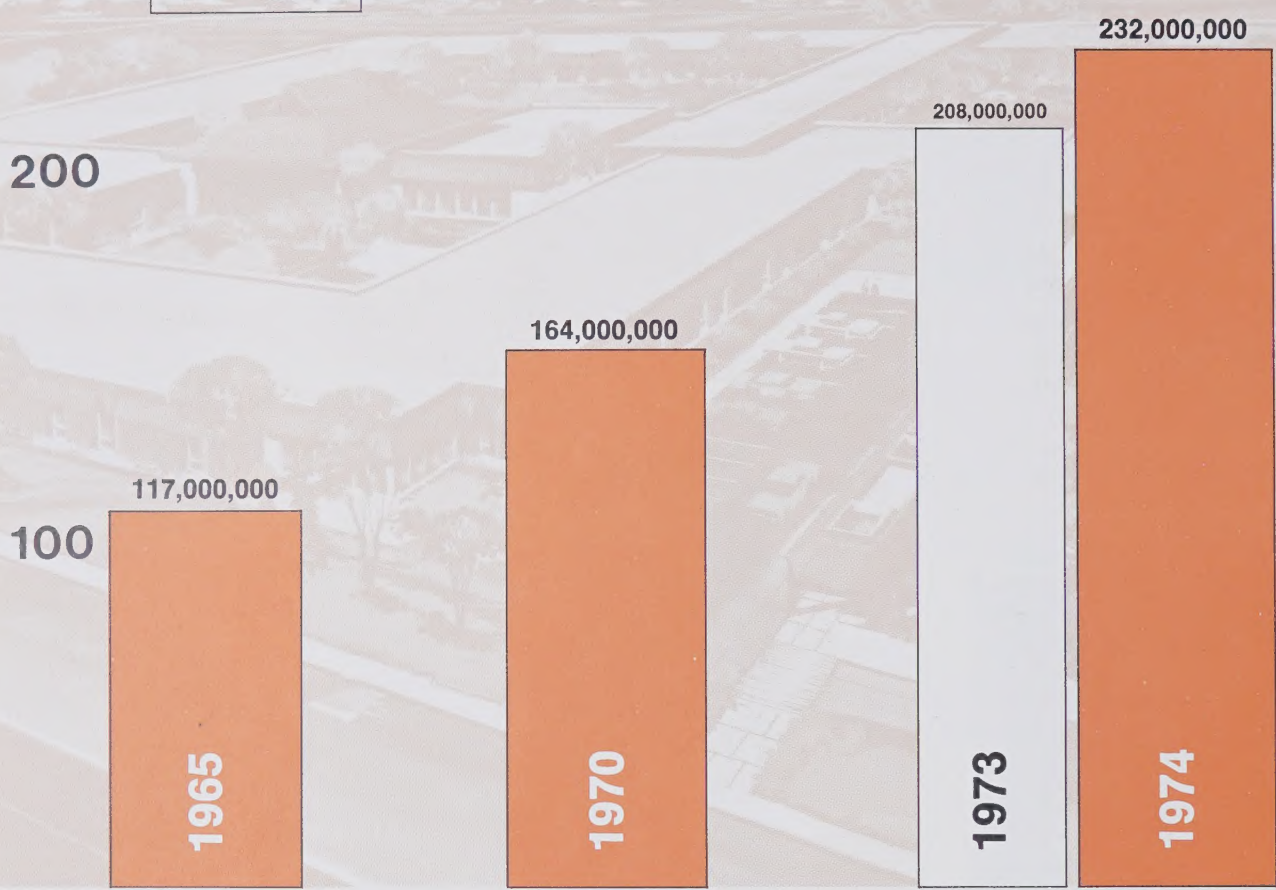
INVESTMENTS

During 1974, interest rates in Canada rose approximately two percentage points to peaks not experienced in this century. Stock markets were buffeted to an extent not suffered since

the 1930's and the Toronto Stock Exchange index fell 27%. Economic activity peaked in the first quarter and the balance of the year saw a transition from vigorous real growth to no growth. The rate of inflation remained stubbornly high and unemployment began to rise in the latter part of the year.

Although our investment policy continued to stress first mortgages on homes, apartment buildings and office, retail and warehouse buildings, the general slowdown in construction did not give us as many opportunities for mortgage investment as in 1973. Loans made included a number of NHA insured homes in various Canadian centres, apartment blocks in Saskatoon, Hamilton and Toronto, shopping centres in Calgary and Quebec City, office warehouses in Ottawa, Toronto, Edmonton and Montreal and a marina in Vancouver.

assets



Bond investments increased substantially in 1974 and covered a wide range of industry groups. Additions were made to our holdings in major utility and industrial concerns such as Bell Telephone, British Columbia Telephone, Ontario Hydro, Manitoba Hydro, Consumers Gas, Stelco, Dofasco, Noranda, as well as in Canadian Tire, Simpsons Ltd., Zellers and the metropolitan governments of Winnipeg and Toronto.

Our policy of reduced emphasis in common stocks was continued and stocks purchased were concentrated in such industries as banks, utilities and pipelines.

POLICY LOANS and SURRENDERS

As a source of cash for emergency needs, the policy loan provision contained in most of our policies is a valuable benefit to policyholders.

In 1974 requests for policy loans increased significantly accelerating a trend which began in 1973. Policy loans outstanding increased \$1,488,000 during 1974 and were \$10,455,000 at year end. These policy loans represent 4.5% of assets. In 1973 they were 4.3%.

Although the number of policies surrendered for cash in 1974 was only slightly greater than in 1973, the amount of cash payment was significantly higher.

SEGREGATED INVESTMENT FUNDS

The investments of these funds are segregated in the sense that they are not mingled with the other assets of the Company. They support the special series of pension policies available to individuals and to employers for their company pension plans. Interest in these policies continues to grow. At year end the total investment

in these segregated investment funds was \$6,197,000, an increase of \$1,715,000 or 38%.

MORTALITY

Fluctuations in mortality experience can and do occur from year to year. In 1974, our death claims were 17% more than expected whereas in 1973 they were 36% less than expected. It is encouraging to know that as a result of these payments families are able to continue their standard of living, children can achieve the higher education desired and business interests are protected.

POLICYHOLDERS

The amount paid to policyholders and beneficiaries in 1974 was \$17,947,000. In addition \$18,373,000 was allocated to policy reserves for future payment. The total of \$36,320,000 paid or set aside is \$5,922,000 greater than the corresponding total for 1973.

EXPENSES

Operating expenses for 1974 were 5½% higher than for 1973. Despite significant inflationary pressures our cost ratios increased only slightly. A watchful and critical eye is kept on expenses in our continuing search for improved methods and procedures to provide better service to policyholders but at lower cost.

NET INCOME and SURPLUS

Net income from 1974 operations was \$737,000, a satisfying increase over the \$329,000 of 1973.

In 1974, security transactions yielded a net profit over book value of \$1,449,000. In addition, the book values of stocks were written up \$1,534,000 to their original cost. After this write up the market value of stocks is \$1,629,000 greater than the original cost.

The Investment and Contingency reserve was increased \$3,000,000 to \$7,000,000.

After all operations and provisions, Surplus increased \$270,000 to \$14,915,000.

SHAREHOLDERS

The net income attributable to shareholders includes:

- (i) the net income of the non-participating and shareholders' division,
- (ii) the amount transferred from the participating division to the shareholders' division, limited as explained in note 4.

For 1974, the net income attributable to shareholders was \$1,229,000 or \$2.46 per share. Of this, \$2.32 was from normal operations and 14¢ from non-recurring transactions.

The statutory basis of accounting required of life insurance companies does not reflect, in net income, the net capital gains on security transactions attributable to the non-participating and shareholders' division. In 1974 this represented 79¢ per share.

Comparative figures for recent years are as follows:

NET INCOME PER SHARE FROM

Year	Normal Operations	Non-Recurring Transactions	Net Capital Gains
1974	2.32	.14	.79
1973	2.58	.42	.43
1972	2.04	—	.48

The year to year fluctuation in mortality experience, referred to previously, is a significant cause of year to year variations in net income per share from normal operations.

During 1974, four quarterly dividends of 22½¢ per share were declared. In recent years dividends declared have been: 1974—90¢; 1973—80¢; 1972—70¢; 1971—60¢; 1970—40¢; 1969—35¢.

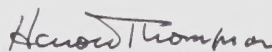
GENERAL

To the staff and representatives whose efforts made the excellent results possible, the Directors extend sincere thanks and appreciation. The confidence and enthusiasm of the sales force, staff and officers is shared by the Directors.

On behalf of the Directors



T. BRUCE ROSS, Chairman of the Board



HAROLD THOMPSON, President
and Chief Executive Officer

SIXTY-NINTH ANNUAL REPORT 1974

statement of financial position

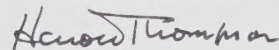
ASSETS

	December 31	
	1974	1973
BONDS (note 1)		
Federal, Provincial and Municipal	\$ 41,530,000	39,923,000
Public Utility, Industrial and Others	71,653,000	61,001,000
STOCKS (note 1)	13,974,000	10,318,000
FIRST MORTGAGES (note 1)		
Homes and Apartment Buildings	30,385,000	28,832,000
Office, Retail and Warehouse Buildings	48,735,000	44,785,000
REAL ESTATE		
For Investment	3,908,000	4,011,000
For Company Use	2,500,000	2,500,000
POLICY LOANS	10,455,000	8,967,000
CASH	275,000	523,000
INVESTMENT INCOME DUE AND ACCRUED	2,196,000	1,949,000
SEGREGATED INVESTMENT FUNDS	6,197,000	4,482,000
OTHER ASSETS	969,000	1,321,000

APPROVED BY THE DIRECTORS



T. BRUCE ROSS, Chairman of the Board



HAROLD THOMPSON, President

\$232,777,000

208,612,000

THE MONARCH LIFE ASSURANCE COMPANY

Financial position

LIABILITIES, CAPITAL and SURPLUS

	December 31	
	1974	1973
DIRECT OBLIGATIONS TO POLICYHOLDERS		
POLICY RESERVES	\$171,028,000	154,370,000
This amount together with future premiums and interest will provide for the payment of all benefits on policies in force.		
POLICY BENEFITS IN COURSE OF PAYMENT	1,239,000	1,154,000
POLICY BENEFITS ON DEPOSIT	21,160,000	19,769,000
POLICY DIVIDENDS PAYABLE	2,850,000	2,650,000
SEGREGATED INVESTMENT FUNDS	6,197,000	4,482,000
STAFF PENSION AND INSURANCE FUNDS	6,031,000	5,352,000
OTHER LIABILITIES	1,357,000	1,190,000
	<u>209,862,000</u>	<u>188,967,000</u>
SHARE CAPITAL (note 2)	1,000,000	1,000,000
Authorized 1,000,000 shares of \$2 par value Issued 500,000 shares		
INVESTMENT AND CONTINGENCY RESERVE	7,000,000	4,000,000
SURPLUS	14,915,000	14,645,000
	<u>22,915,000</u>	<u>19,645,000</u>
	<u>\$232,777,000</u>	<u>208,612,000</u>

SIXTY-NINTH ANNUAL REPORT 1974

statement of operations and surplus

	For the Year	
	1974	1973
INCOME		
Insurance and annuity premiums	\$31,293,000	25,972,000
Investment income less expenses (\$400,000 1973-\$308,000)	15,297,000	13,754,000
Other	1,167,000	1,247,000
	<u>47,757,000</u>	<u>40,973,000</u>
DISPOSITION OF INCOME		
Paid or set aside for policyholders		
Death and disability benefits	3,134,000	2,062,000
Matured endowments	1,445,000	1,359,000
Annuity payments	2,513,000	1,930,000
Surrender benefits	5,489,000	4,309,000
Policy dividends	2,749,000	2,594,000
Interest credited to amounts on deposit	1,219,000	1,114,000
Increase in reserve for future payments to policyholders and beneficiaries	16,658,000	13,509,000
Increase in Segregated Investment Funds	1,715,000	2,247,000
Other	1,398,000	1,274,000
	<u>36,320,000</u>	<u>30,398,000</u>
Commissions	3,754,000	3,885,000
Operating expenses	6,290,000	5,961,000
Premium and income taxes	656,000	400,000
	<u>47,020,000</u>	<u>40,644,000</u>
NET INCOME	737,000	329,000
APPROPRIATIONS AND ADJUSTMENTS		
Adjustments to book values of assets and net profits on sale of securities (note 1)	2,983,000	556,000
Increase in Investment and Contingency Reserve	(3,000,000)	(500,000)
Over-provision of prior years income taxes	—	436,000
Dividends to shareholders	(450,000)	(400,000)
	<u>270,000</u>	<u>421,000</u>
INCREASE IN SURPLUS	270,000	421,000
SURPLUS, January 1	14,645,000	14,224,000
SURPLUS, December 31	<u>\$14,915,000</u>	<u>14,645,000</u>
ALLOCATED TO		
Participating policyholders' division	\$ 4,715,000	4,966,000
Shareholders' and non-participating policyholders' division	10,200,000	9,679,000
	<u>\$14,915,000</u>	<u>14,645,000</u>

THE MONARCH LIFE ASSURANCE COMPANY

notes to financial statements

1. In the Statement of Financial Position, Bonds and First Mortgages are shown at amortized cost. For 1974, Stocks have been adjusted to original cost resulting in a write up of \$1,534,000.
The values of Bonds and Stocks as authorized by the Department of Insurance are \$3,668,000 less than the values shown in the Statement of Financial Position. For 1973 the authorized values were \$2,012,000 in excess of statement values (\$473,000 with stocks adjusted to original cost).
2. Under a Stock Option Plan adopted in 1966, the Company may grant to executives for periods not exceeding 15 years, options to purchase shares of the unissued capital stock of the Company at a price equal to the market value of such stock on the date granted; provided, however, that the number of shares which may be purchased under such options may not exceed 50,000. To date no options have been exercised and 20,000 shares at \$20 per share are under option, 10,000 until 1979 and 10,000 until 1984.
3. The Company follows generally accepted accounting principles modified by the requirements of the Department of Insurance of Canada. These modifications include:
 - (a) The costs of acquiring business are charged off as expenses in the year incurred rather than over the periods expected to be benefited.
 - (b) Non-admitted assets such as furniture and equipment are charged off as expenses in the year acquired.
 - (c) Income taxes are provided for on the basis of the "taxes payable" method.
4. Distributions of earnings to policyholders and shareholders are determined by the Board of Directors. For the participating division 90% of the amount distributed is allotted for policyholder dividends and 10% is transferred to the shareholders' division. This complies with Canadian insurance law governing the allocation of participating division earnings between policyholders and shareholders.

AUDITORS' REPORT

January 20, 1975

To the Policyholders, Shareholders and Directors of The Monarch Life Assurance Company:

We have examined the Statement of Financial Position of The Monarch Life Assurance Company as at December 31, 1974 and the Statement of Operations and Surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the Company as at December 31, 1974 and the results of its operations for the year then ended in accordance with accounting practices prescribed or permitted by the Department of Insurance of Canada, as explained in note 3 to the Financial Statements, applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba



Chartered Accountants

ACTUARY'S CERTIFICATE

January 20, 1975

I hereby certify that the amounts shown in the Policy Reserves and in the Segregated Investment Funds, in my opinion, make good and sufficient provision for all unmatured obligations of the Company guaranteed under the terms of its policies.



F.S.A., F.C.I.A.

Actuary

THE MONARCH LIFE ASSURANCE COMPANY

board of directors

T. BRUCE ROSS, LL.D. Chairman of the Board
HAROLD THOMPSON President

PAUL N. DuVAL	*S. PRICE RATTRAY, LL.D.
DOUGLAS D. EVERETT	CONRAD S. RILEY, M.B.E.
*WILLIAM G. KONANTZ	*STEWART A. SEARLE, JR.
*GORDON LAWSON	GEORGE E. SHARPE
RICHARD S. MALONE, O.B.E.	J. GORDON SPEIRS
*WILLIAM B. PARRISH	ALAN E. TARR

*Policyholders' Directors

EXECUTIVE OFFICERS

HAROLD THOMPSON President
ALLAN G. DENNIS Vice-President, Marketing
ALAN E. TARR Vice-President, Investments
DONOVAN A. MCCARTHY, Q.C. . . Vice-President and Secretary
DOUGLAS B. STEVENS Vice-President, Administration

Share Transfer Agent and Registrar: NATIONAL TRUST COMPANY LIMITED
At its Principal Offices in Montreal, Toronto, Winnipeg, Calgary and Vancouver

administrative organization

HAROLD THOMPSON, F.S.A., F.C.I.A., President

A. G. DENNIS	Vice-President, Marketing
Sales Development	T. Uster Superintendent of Sales
	R. T. Sandstrom Assistant Superintendent of Sales
	G. E. Thomas Assistant Superintendent of Sales
Sales Promotion and Training	K. A. M. Walker Superintendent of Sales Promotion and Training
	D. D. Sheppard, C.L.U. . . . Assistant Superintendent, Training
	G. D. Jamieson Field Training Supervisor
	M. J. McAndless Field Training Supervisor
	W. J. O'Rourke Field Training Supervisor
	L. Holloway, C.L.U. Supervisor, Sales Promotion
Sales Administration	(Miss) J. Mislawchuk Supervisor, Sales Administration

J. M. RINGSTROM	Director of Group and Corporate Sales
Group Services	A. M. Byrne, F.S.A., F.C.I.A. . Assistant Actuary
	E. F. Harlow Supervisor, Group Services
Group Sales	D. C. Hogg Ontario Region
	B. J. Thompson Manitoba, Saskatchewan Region

A. E. TARR, A.S.A.	Vice-President, Investments
Investment	R. E. Archer, C.F.A. Investment Manager
	A. E. Hanson, A.A.C.I. Manager, Mortgages and Real Estate
	D. G. Mills, C.F.A. Common Stock Portfolio Manager

D. A. McCARTHY, Q.C.	Vice-President and Secretary
Accounting	J. W. Clarke, C.A. Comptroller
Personnel	C. J. Rogers, F.L.M.I. Manager, Personnel and Building Services
	(Mrs.) E. Ferguson Supervisor, Personnel

D. B. STEVENS, F.S.A., F.C.I.A.	Vice-President, Administration
Data Processing	P. J. Sawchuk, F.L.M.I. Director of Data Processing
	L. G. F. Jones Supervisor, Data Processing Operations
	E. Lindgren, F.L.M.I. Supervisor, Systems and Programming
Policy Service	A. Croteau, A.S.A. Manager, Policy Service
	C. M. Mederski Supervisor, Policy Service
Policy Administration	C. E. Addison, F.L.M.I. Manager, Policy Administration

C. J. STAFFORD, F.S.A., F.C.I.A.	Actuary
Actuarial	L. A. Poole, F.S.A., F.C.I.A. . Assistant Actuary
Underwriting	R. G. Handford, M.D. Director of Underwriting
	F.R.C.P. (C)
	N. L. Handford Senior Underwriter
	W. A. Riddall Senior Underwriter
New Business, Ordinary	N. P. Walton Co-ordinator, New Business
	T. Weber, F.L.M.I. Supervisor, New Business Services



BRANCH OFFICES

		Telephone Numbers	Area Code
VICTORIA	D.E. PEGG, 230-777 Broughton St.	384-0584	604
VANCOUVER	D.G. CLEMENTS & ASSOC. LTD., 3rd Flr., 545 Clyde Ave. I.F. DEWEST & ASSOC. LTD., 216-2438 Marine Dr. D. LAKUSTA, C.L.U., 1500-777 Hornby St.	682-8608 926-6007 684-5322	604 604 604
EDMONTON	DAY, ROSS & ASSOC. 805 Empire Bldg., 101 St. & Jasper W.E. SOUTHOORN, C.L.U., 15th Flr. CN Towers, 104 Ave. & 100 St. W.B. (BILL) TAINSH & ASSOC. LTD. 211-8204 104th St.	429-1418 422-6125 433-5801	403 403 403
RED DEER	P.J. DERKSEN, C.L.U., The Royal Bank Bldg., 300-4943 50th St.	347-1135	403
CALGARY	P.A. JOHNSON, C.L.U., 800-825 8th Ave. S.W. P.J. STREUKENS, 800-825 8th Ave. S.W.	263-4070 263-4070	403 403
LETHBRIDGE	J.H. PROVICK, Professional Bldg., 404-8th St. S.	327-2985	403
SASKATOON	C.W. BLACKMUR, 870 Avord Tower, 606 Spadina Crescent E.	653-0602	306
REGINA	C.J. LIPTON, 1770 Avord Tower, Victoria & Hamilton	523-9631	306
BRANDON	J.R. TOOGOOD, C.L.U., 4th Flr., Royal Bank Bldg., Box 727	727-0721	204
WINNIPEG	B.V. CORDES, 5th Flr., 305 Broadway L.H. FYKE, C.L.U., 2nd Flr., 360 Broadway M.C. KANTOR, 6th Flr., 338 Broadway B.J. THOMPSON, 333 Broadway (GROUP & CORPORATE SALES)	943-6565 947-6771 956-1153 942-0911	204 204 204 204
THUNDER BAY	W.J. LYSACK, C.L.U., 410 Chapple Bldg., Box 326	622-6444	807
WINDSOR	308-1428 Ouellette Ave.	258-5433	519
LONDON	STEVENSON AND HUNT INS. AGENCIES LTD. 2nd Flr., 267 Dundas St. J.D. TAYLOR, 6th Flr., 195 Dufferin Ave.	433-4083 672-6220	519 519
HAMILTON	D.S. HILBORN, C.L.U., 2105 Main St. W. SKYWAY LIFE INS. AGENCIES INC. 604-105 Main St. E.	522-9274 525-7247	416 416
TORONTO	F.R. GLASSER, 2207-2025 Sheppard Ave. E. J. LOMAN, C.L.U., 404-40 St. Clair Ave. W. J.B. SMITH, C.L.U., 2nd Flr., 101 Duncan Mill Rd. S.S. TAERK, C.L.U., 100-885 Don Mills Rd. D. HOGG, 2201-2025 Sheppard Ave. E. (GROUP & CORPORATE SALES)	493-3744 929-3188 449-8383 449-7330 493-7125	416 416 416 416 416
OSHAWA	R.A. SLANEY, C.L.U., 44 Bond St. W.	725-6588	416
OTTAWA	E.E. LAUGHREN, 704 Burnside Bldg., 151 Slater St.	235-1431	613
MONTREAL	P. ANGELINI, C.L.U., 6600 Cote des Neiges Rd. JOSEPH FRIEDMAN INSURANCE AGENCY LTD. 140 Appin Ave.	731-8257 739-4202	514 514
HALIFAX	P.M. ROBINSON & ASSOCIATES LTD., 1030 South Park St.	429-3060	902



Wolverines Patrolling The Taiga

CLARENCE TILLENIUS

Winnipeg artist, Clarence Tillenius, has devoted a lifetime to studying and painting Canadian wildlife in its natural habitat. His paintings portray a world of wildlife understood by those who with excitement view the beauty of a natural sunrise, who with pleasure see a rabbit track across a snowy field or who simply enjoy the outdoors. The Tillenius paintings have contributed greatly to the enrichment of our Canadian heritage.

For the past 20 years, Mr. Tillenius has produced canvasses and sketches for The Monarch Life Assurance Company. The collection has been exhibited periodically across Canada and during Winnipeg's Centennial year 1974, was shown by the Manitoba Museum of Man and Nature to over 125,000 visitors.



THE MONARCH LIFE ASSURANCE COMPANY

333 BROADWAY, WINNIPEG, MANITOBA, CANADA